

Message Text

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ACTION EA-14

INFO OCT-01 NEA-10 ADP-00 AF-10 IO-12 EB-11 COME-00 INT-08

TRSE-00 SCEM-02 OMB-01 CIAE-00 DODE-00 PM-09 H-02

INR-10 L-03 NSAE-00 NSC-10 PA-03 RSC-01 PRS-01 SS-15

USIA-12 CIEP-02 STR-08 CEA-02 OPIC-12 EUR-25 RSR-01

AID-20 /205 W

----- 063889

R 140505 Z MAY 73

FM AMEMBASSY RANGOON

TO SECSTATE WASHDC 6749

INFO AMEMBASSY BANGKOK

AMEMBASSY DACCA

AMEMBASSY JAKARTA

AMEMBASSY NEW DELHI

AMEMBASSY TOKYO

AMEMBASSY SINGAPORE

LIMITED OFFICIAL USE SECTION 1 OF 2 RANGOON 1111

E. O. 11652: N/ A DECON 5/15/76

TAGS: EMIN BM

SUBJECT: NEW GUB OIL POLICY

REF: (A) STATE 88453 (NOTAL); (B) RANGOON 855 (NOTAL)

SUMMARY: GUB STARTS MAY 15 SERIES OF TALKS WITH SOME 40 OIL COMPANIES, CHIEFLY U. S., WHICH WILL LAST TILL MID-JULY AND WHICH WILL PROVIDE BASIS FOR SELECTION OF FINALISTS WITH WHOM MORE DETAILED NEGOTIATIONS FOR OFFSHORE OPERATIONS WILL THEN COMMENCE. TERMS UNDER WHICH COMPANIES WILL OPERATE ARE BASED ON INDONESIAN SYSTEM BUT MOST DETAILS ARE NEGOTIABLE. OBJECTIVE IS CONTRACTUAL RELATIONSHIP BETWEEN MOC AND THREE OR MORE COMPANIES, TO BE CONCLUDED AROUND END OF 1973, WITH EXPLORATION OPERATIONS TO BEGIN AS SOON AS POSSIBLE.

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SIBLE THEREAFTER. OFFSHORE TERRITORY IS NOW DIVIDED INTO

ABOUT 25 BLOCKS, AND POSSIBILITY IS OPEN THAT CONSIDERABLY MORE THAN THE THREE ORIGINALLY CONTEMPLATED WILL BE ALLOCATED. APPLICANTS ARE WARNED AGAINST EFFORTS TO BYPASS MOC OR DEAL DIRECTLY WITH CHAIRMAN NE WIN. END SUMMARY.

1. EMBOFF CALLED ON MYANMA OIL CORPORATION DIRECTOR GENERAL (DR. AUNG KHIN) AND HIS DEPUTY (U TIN AUNG) MAY 11, FOLLOWING FORMER' S RETURN MAY 9 FROM INDONESIA AND SINGAPORE. MAIN POINTS EMERGING FROM DISCUSSION OF CURRENT PLANS FOR NEGOTIATIONS ON OFFSHORE OIL EXPLORATION WERE FOLLOWING: OFFSHORE AREA IS NOW DIVIDED INTO ABOUT 25 BLOCKS (INSTEAD OF 17 IN ORIGINAL DIVISION), MOST OF THEM AROUND FOUR OR FIVE THOUSAND SQUARE MILES. CONCEPT OF ALLOCATING ONLY THREE BLOCKS APPEARS TO HAVE BEEN ABANDONED, AND ADDITIONAL BLOCKS MAY BE AWARDED IF OFFERS BY INTERESTED COMPANIES WARRANT DOING SO. HOWEVER, WE BELIEVE MOC STILL INTENDS THAT SUCCESSFUL APPLICANTS WILL INCLUDE U. S., JAPANESE, AND GERMAN COMPANIES.

2. NO DETAILED GROUND RULES YET EXIST TO SPECIFY CONDITIONS UNDER WHICH COMPANIES WILL OPERATE. CURRENT GUB LEGISLATION CONSISTS OF AN EXTREMELY GENERAL STATUTE WHICH MERELY ASSIGNS TO MOC ALL RIGHTS TO BURMESE PETROLEUM RESOURCES, AND AUTHORIZES IT TO ENTER INTO ANY FORM OF CONTRACT AS MEANS OF EXPLOITING THOSE RESOURCES. COPIES OF THIS AND OTHER RELEVANT LEGISLATION WILL BE PROVIDED TO APPLICANTS AT INTERVIEWS BUT NOT BEFORE. GUB ENVISAGES " PROFIT- SHARING" ARRANGEMENT SIMILAR TO THOSE IN FORCE IN INDONESIA, AND AUNG KHIN EXPRESSED APPRECIATION FOR EXTENSIVE INFORMATION PROVIDED BY PERTAMINA. HE SAID INDONESIANS FURNISHED COPIES OF MANY OF THEIR CONTRACTS, EXPLAINING PROVISIONS IN INITIAL CONTRACTS WHICH FROM THEIR POINT OF VIEW PROVIDED UNSATISFACTORY, AND SHOWING HOW THESE HAD BEEN RESOLVED IN LATEST CONTRACTS NEGOTIATED. TIN AUNG NOTED THAT ONE ITEM WHICH WILL BE UNACCEPTABLE IN FINAL CONTRACTS WITH MOC IS ARBITRATION CLAUSE, BUT STRESSED GUB AND MOC DESIRE TO MAINTAIN REPUTATION FOR FAIR DEALING WITH COMPANIES.

3. BASIC SCHEME REMAINS AS OUTLINED IN REF B: COMPANY RECEIVING A BLOCK WILL HAVE NEGOTIABLE BUT DEFINITE TIME OBLIMITED OFFICIAL USE

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GATIONS TO BEGIN SEISMIC WORK AND EXPLORATORY DRILLING. UPON DISCOVERY OF PETROLEUM IN COMMERCIAL QUANTITIES, COMPANY WILL SURRENDER 75 TO 80 PERCENT OF BLOCK TO MOC AND WILL OPERATE REMAINING AREA. GIVE- UP PERCENTAGE, AS WELL AS PERCENTAGE OF PRODUCTION TO BE RETAINED BY COMPANY FROM OPERATIONS, ARE NEGOTIABLE AND MAY REPRESENT MAIN DIFFERENCES AMONG FINAL OFFERS ON BASIS OF WHICH GUB WILL ALLOCATE BLOCKS. SIGNATURE BONUSES

APPARENTLY WILL NOT BE REQUIRED.

4. ONCE BLOCKS HAVE BEEN ALLOCATED, MOC WILL PROVIDE SUCCESSFUL APPLICANTS WITH ALL GEOLOGICAL, GEOPHYSICAL AND STRATIGRAPHIC DATA IT POSSESSES ON THEIR BLOCKS, PLUS APPROPRIATE INFORMATION ABOUT ONSHORE STRUCTURES, ADJOINING BLOCKS, ETC. SOME OF THIS INFORMATION WILL BE PROVIDED FREE OF CHARGE, BUT SUCCESSFUL APPLICANTS WILL BE EXPECTED TO PAY FOR MOST OF DATA, WITH FOREIGN EXCHANGE COSTS TO DATE OF DATA GATHERING BEING PRORATED AMONG SUCCESSFUL APPLICANTS. HERE AGAIN, DETAILS REMAIN TO BE WORKED OUT AND ARE DOUBTLESS NEGOTIABLE.

5. LIST OF COMPANIES SO FAR SCHEDULED FOR INTERVIEWS INCLUDES ABOUT 38 FIRMS, MOSTLY U. S. MOC HAS PROMISED TO SUPPLY US WITH COMPLETE LIST OF U. S. FIRMS INCLUDED. LIST CONSISTS MAINLY OF THOSE FIRMS WHICH HAVE PREVIOUSLY EXPRESSED INTEREST IN BURMESE PETROLEUM DEVELOPMENT. HOWEVER, ADDITIONAL COMPANIES MAY BE ADDED TO LIST AND SCHEDULED FOR INTERVIEWS UPON WRITTEN REQUEST TO MOC. SUCH REQUEST SHOULD BE ACCOMPANIED BY COPY OF ANNUAL REPORT, FINANCIAL REFERENCES, AND OTHER RELEVANT INFORMATION ON APPLICATION.

6. NON- U. S. FIRMS ON LIST FOR INTERVIEWS INCLUDE DEMINEX (FRG), ELF/ ERAP (FRANCE), AND ENI (ITALY). MOC OFFICIALS ALSO MENTIONED AN AUSTRALIAN APPLICANT, AND WE BELIEVE BP HAS PREVIOUSLY EXPRESSED INTEREST AND IS PROBABLY ON LIST. ACCORDING TO JAPANESE EMBOFF, THERE ARE THREE JAPANESE CONTENDERS: JAPAN PETROLEUM DEVELOPMENT, MITSUI (WHICH IS TO BUILD NEW MOC REFINERY), AND MITSUBISHI.

7. AS REF A INDICATES, FIRST INTERVIEWS SCHEDULED ARE WITH GULF (MAY 15) AND AMOCO. WE SUSPECT THIS IS INTENDED AS SIGN OF MOC FAVOR FOR THESE COMPANIES IN LIGHT OF SEISMIC LIMITED OFFICIAL USE

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INFO OCT-01 NEA-10 ADP-00 CIAE-00 DODE-00 PM-09 H-02

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WORK WHICH THEY CONTRIBUTED, THOUGH IN FACT BEING FIRST IN LINE MAY BE A MIXED BLESSING. FIRST COMPANIES INTERVIEWED WILL OF COURSE HAVE HAD LESS TIME TO PREPARE, AND MAY ALSO HAVE GREATER EDUCATIONAL JOB IN IMPRESSING ON MOC THE NATURE OF TERMS WHICH COMPANIES CAN AND CANNOT ACCEPT.

8. MOC OFFICIAL STATED THAT GROUPS OR CONSORTIA ARE WELCOME, PROVIDED FULL MEMBERSHIP IS MADE KNOWN TO AND APPROVED BY MOC. CERTAIN PARTICIPANTS WOULD BE UNACCEPTABLE ON OBVIOUS POLITICAL GROUNDS, E. G., TAIWANESE OR BURMESE
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NATIONALS. HOWEVER, APPLICANTS ARE OF COURSE FREE TO EMPLOY LOCAL ATTORNEYS, AGENTS, OR LIAISON MEN IN CONNECTION WITH THEIR BIDS.

9. AT LEAST ONE INTERESTING CONSORTIUM HAS BEEN ADDED TO LIST. THIS IS ROBROY PETROLEUM (SPELLING OF NAME UNCERTAIN), FINANCED BY HONG KONG FINANCIER Y. K. PAO AND WITH TECHNICAL EXPERTISE PROVIDED BY RAY WILLIAMS, FORMERLY A SENIOR EXECUTIVE WITH READING & BATES, FAMILIAR WITH R & B DRILLING OPERATIONS HERE, AND PERSONA GRATA TO MOC.

10. AUNG KHIN STRESSED THAT SUCCESSFUL APPLICANTS WILL

HAVE CONTRACT RELATIONSHIP WITH MOC, NOT WITH GUB DIRECT. IN THIS CONNECTION, HE NOTED DISAPPROVINGLY THAT " ONE OR TWO" U. S. COMPANIES HAD WRITTEN DIRECTLY TO CHAIRMAN NE WIN ABOUT THEIR INTEREST IN BURMESE PETROLEUM, AND SAID NE WIN HAD REPLIED ADVISING THEM TO CONTACT MO C. HE EMPHASIZED THAT NEGOTIATIONS WILL BE CONDUCTED BY MOC, AND THAT ANY ATTEMPTS TO CIRCUMVENT IT OR TO DEAL DIRECTLY WITH OTHER GUB AGENCIES WILL BE HARMFUL TO INTERESTS OF COMPANIES WHICH MAKE SUCH ATTEMPTS. APPLICANTS, HE SAID, WILL BE WELL ADVISED TO MAINTAIN " LOW POSTURE." COMMENT: WHILE HIGH- WGVEL APPROACHES MAY BE USEFUL AT LATER STAGES, WE BELIEVE THEY WOULD INDEED BE COUNTER- PRODUCTIVE FOR U. S. FIRMS AT THIS TIME.

11. MOC HOPES TO COMPLETE THIS FIRST ROUND OF NEGOTIATIONS BY END OF JULY AND THEN TO REDUCE LIST TO SMALLER NUMBER OF QUALIFIED BIDDERS WHO WILL BE INVITED TO UNDERTAKE MORE DETAILED NEGOTIATIONS. IT IS HOPED FINAL DECISIONS CAN BE MADE ABOUT YEAR- END.

12. AUNG KHIN INDICATED MAP SHOWING OFFSHORE BOUNDARIES AND LOCATION OF BLOCKS WILL BE AVAILABLE TO EMBASSY LATER THIS MONTH (PRESUMABLY AFTER FIRST FEW INTERVIEWS HAVE BEEN HELD). HE SAID OFFSHORE BOUNDARIES WERE CONSERVATIVELY SET AND SHOULD NOT CONFLICT WITH CLAIMS BY ANY OTHER COUNTRY, ESPECIALLY IN GULF OF MARTABAN. HOWEVER, HE CONCEDED THAT BOUNDARIES (BEYOND TERRITORIAL WATERS) WITH THAILAND AND BANGLADESH HAVE NEVER BEEN DEFINED, AND THAT QUESTIONS COULD ARISE IN CONNECTION WITH NORTHERNMOST ARAKAN COASTAL BLOCK AND SOUTHERNMOST LIMITED OFFICIAL USE
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TENASSERIM BLOCK.

13. EMBOFF ASKED ABOUT COMPANIES SPECIALIZING IN OILFIELD SUPPLIES AND SERVICES, A NUMBER OF WHOM MAY WISH TO ESTABLISH THEMSELVES IN RANGOON IF SEVERAL COMPANIES BEGIN OFFSHORE OPERATIONS. MOC OFFICIALS INDICATED BECAUSE OF PRESS OF WORK DURING PERIOD SCHEDULED FOR INTERVIEWS WITH OFFSHORE APPLICANTS THEY WOULD PREFER TO AVOID DISCUSSIONS WITH REPRESENTATIVES OF SERVICE COMPANIES DURING THIS PERIOD. AUNG KHIN SAID ARRANGEMENTS WILL EVENTUALLY BE MADE FOR SERVICE COMPANIES TO ESTABLISH THEMSELVES USING MOC FACILITIES (LAND, WAREHOUSE SPACE, ETC.) AND OPERATING UNDER MOC AUSPICES SO AS TO AVOID EXCESSIVE IMPACT ON LOCAL ECONOMY.

14. AUNG KHIN ALSO NOTED THAT, IN VIEW OF SHORTAGES OF OFFICE SPACE, HOUSING, AND OTHER RESOURCES, OFFSHORE OPERATIONS WOULD NATURALLY BE BASED INITIALLY IN SINGAPORE. LONG- RANGE MOC OBJECT
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